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FM AMEMBASSY ASTANA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4582  
INFO RUCNCIS/CIS COLLECTIVE 1162  
RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE  
RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0559  
RUEHKO/AMEMBASSY TOKYO 1265  
RUEHUL/AMEMBASSY SEOUL 0279  
RUCNDT/USMISSION USUN NEW YORK 2146  
RUEHNO/USMISSION USNATO 2474  
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RHEHNSC/NSC WASHDC 0736  
RUEKJCS/SECDEF WASHDC 0652  
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UNCLAS SECTION 01 OF 03 ASTANA 000250

SENSITIVE  
SIPDIS

STATE FOR SCA/CEN, EEB, DRL

E.O. 12958: N/A

TAGS: [PGOV](#) [PHUM](#) [ECON](#) [EFIN](#) [SOCI](#) [KDEM](#) [KZ](#)

SUBJECT: KAZAKHSTAN: POLITICAL ANALYST SEES INTRA-ELITE WARFARE  
BEHIND BTA TAKE-OVER

REF: (A) ASTANA 0204  
(B) ASTANA 0068  
(C) 08 ASTANA 2398  
(D) 08 ASTANA 2471

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: In a February 5 meeting with the Ambassador in Almaty, Kazakhstani political analyst Dosym Satpayev said that the recent state take-over of two leading banks is part of a larger trend of increased government control over strategic sectors of the economy. The financial industry, the mass media sector, and the hydrocarbon and mining industries, are increasingly under the direct control of the state-owned Samruk-Kazyna National Welfare Fund, what he termed a "controlling structure." Satpayev sees similar "controlling structures" in the political and social spheres. The ousting of BTA bank Chairman Mukhtar Ablyazov was "inevitable," due in part to the bank's vulnerability, but also because of an intra-elite struggle over property and resources within President Nazarbayev's inner circle. Satpayev sees Kazakhstan's political opposition as "weak," although he believes the grass-roots social movements emerging in the fall-out of the economic crisis have potential as an opposition force. However, the real political counterweight to the government, according to Satpayev, lies within the "shadow opposition": political and business interests that are vocally loyal to the government, but are "getting ready for the post-Nazarbayev world." To assure a smooth transition, Nazarbayev must clearly identify a successor; the alternative would bring on vicious fighting within his inner circle, Satpayev believes. In his view, the system of inter-dependence and interest politics around the President has evolved to be quite complex, and at times Nazarbayev has lost control over his system. Structures like Samruk-Kazyna, in Satpayev's view, are the President's way of making sure the system does not crack. END SUMMARY.

GOVERNMENT TIGHTENS CONTROL OF ECONOMY

13. (SBU) On February 5, the Ambassador met with Dosym Satpayev, a well-known independent analyst whose articles frequently appear in the Kazakhstani press. In his publications, Satpayev seldom

criticizes President Nazarbayev directly, offering instead centrist assessments of Kazakhstan's political and economic situation. Formerly associated with the Soros Foundation, he chairs his own think-tank, the "Risk Assessment Group," which provides consulting services on the political and investment climate in Kazakhstan and Central Asia.

14. (SBU) Satpayev told the Ambassador that the recent take-over of the country's two largest banks by the state-owned Samruk-Kazyna National Welfare Fund (ref A) is part of a larger trend of increased government control over strategic sectors of economy. In his view, this campaign began in the early 2000s, when the government mandated greater participation for state-owned KazMunaiGaz (KMG) in the oil and gas sector. The mining industry was next, as evidenced by the merger of several major mining companies and the plan to form a new national mining company, Tau-Ken Samruk (ref B). The financial sector was the natural next target, said Satpayev. He explained that his Risk Assessment Group did a study of this trend in 2007 and "warned" the banks of impending government encroachment. Thus, three major economic sectors are now under the direct control of one government-owned "controlling structure," Samruk-Kazyna.

#### POLITICS AND CIVIL SOCIETY NOT FAR BEHIND

15. (SBU) Satpayev maintained that the "trend of increasing state control is not limited to the economy" and that similar "controlling structures" can be seen in the political and social spheres. Media giants ArnaMedia and NurMedia control a large share of the media market and are funded directly by Samruk-Kazyna. The political sphere is dominated by one party -- the President's Nur Otan party. In the sphere of civil society, the government is pursuing what Satpayev referred to as "a cunning strategy" of supporting the Civil

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Alliance, a confederation of pro-government NGOs, and leaving "independent" NGOs wholly reliant on Western funds, a policy which he believes has led to a marked decrease in "independents." Satpayev sees a similar trend in the religious sphere -- the draft law on religion aims to strengthen the influence of "traditional" faiths like Islam and Orthodox Christianity, whose leaders are generally pro-government, at the expense of smaller "non-traditional" groups. In Satpayev's view, the overall goal is to create "nomenclatura capitalism" -- a market economy with a tightly-controlled political space, "something like Singapore." "Except Singapore does not have our level of corruption," he quipped.

#### IN INTER-ELITE STRUGGLE, BTA'S ABLYAZOV IS THE LOSER

16. (SBU) In Satpayev's view, the ousting of Mukhtar Ablyazov as chairman of BTA bank should not have been a surprise -- "it would have happened to any trend-setting bank eventually; the economic crisis just speeded up the process." Another factor at play, however, was the "personal dislike" between Ablyazov on the one hand, and the Samruk-Kazyna Chairman Kairat Kelimbetov and Prime Minister Karim Masimov on the other. According to Satpayev, Ablyazov's conflict with Kelimbetov dates back to 2001, when Kelimbetov first wanted to increase government control of the financial sector. (NOTE: Satpayev told us this conflict was the reason behind the Risk Assessment Group's 2007 report; leading bankers commissioned the Group to analyze different ways to resolve the conflict and how the society would react to each. END NOTE.) Masimov did not get involved in the conflict until mid-2008, when the global economic crisis fully hit the financial system and "bankers got blamed for all the problems." When it became apparent that foreign credit was not forthcoming, the leading banks asked for an inflow of cash from the government, in exchange for a 25 percent government stake and an agreement to submit to audits. BTA's audit showed that its assets were "scattered across the CIS countries," with heavy investments in "politically unstable" countries like Georgia and Ukraine. The government agreed to prop up the vulnerable institution, said Satpayev, "on the condition that the current management was removed." (NOTE: On the same day, an AmCit senior official told the Ambassador BTA was doomed to take-over because it had much too much debt to Western banks and because of the unacceptably high percentage of bad debts in its portfolio. END

NOTE.)

17. (SBU) Satpayev believes that Ablyazov was also the losing party to an intra-elite conflict over property and the control of resources. Ablyazov's erstwhile "protector" in the Presidential Administration was its management chief, Bulat Utemuratov, a political insider and billionaire who left his post on December 15. With Ablyazov's "cover" removed, Kelimbetov and Masimov were free to use the moment of the financial crisis to gain control over his bank. "It was a political conflict," said Satpayev, "but not one based on ideology. This was a fight over property."

#### POLITICAL OPPOSITION "WEAK"

18. (SBU) Asked for his assessment of the opposition parties, Satpayev said that Kazakhstan "is plagued by a weak political opposition" whose primary occupation is "shadow playing among its leaders." The continuous internal struggles within this "outside opposition" suit the government -- "divide and conquer," as he put it. The opposition parties increasingly blame the West for their failure to gain a foothold on power and accuse it of "selling democracy for oil" (ref C). In the meantime, the economic crisis has created a "perfect moment" for new political leaders to emerge, Satpayev argued. Several grass-roots movements that emerged in the fall-out of the crisis are successfully engaging with the government on their issues (ref. D); so far they are concentrated on socio-economic questions, but, in Satpayev's view, political engagement may not be far behind.

#### THE "SHADOW OPPOSITION"

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19. (SBU) In Satpayev's view, the real political counterweight to the government lies within the "shadow opposition": political and business interests that are vocally loyal to the government, but are "getting ready for the post-Nazarbayev world." Satpayev named three pressure groups he sees vying for influence with President Nazarbayev. The first is what he termed "the old guard" -- people within Nazarbayev's political circle who are "averse to publicity." One old-guard clan revolves around Prime Minister Masimov, Kelimbetov, and Timur Kulibayev, the President's son-in-law. The latter two are at the top of Samruk-Kazyna. A second clan includes Utemuratov and Almaty Akim (Mayor) Akhmetzhan Yesimov. A third consists of Astana Akim Imangali Tasmagambetov and people in his circle. These old-guard clans align together on particular issues -- marriages of convenience -- but for the most part, they are in "continuous conflict" for influence with the President. A second pressure group, according to Satpayev, consists of the business interests -- economic giants who have "extremely close ties" to politicians. The third pressure group, one whose influence is on the wane, is the circle around Dariga Nazarbayeva, the President's oldest daughter and the former wife of Rakhat Aliyev. In Satpayev's assessment, Nazarbayeva had all the makings of becoming a political force -- a media conglomerate, her own party, and a powerful husband -- but Aliyev's play for power "wrecked her plans." Satpayev speculated that Nazarbayev gave his daughter two conditions: "divorce Aliyev and stay out of politics," and she has complied with both.

#### KAZAKHSTAN'S POLITICAL FUTURE -- "I AM A REALIST"

10. (SBU) Satpayev believes that if Nazarbayev dies unexpectedly without leaving a clear successor, it would be "devastating" for Kazakhstan. What would follow would be a vicious fight among interest groups for control of property and power. This struggle would be among those with "financial power," with the traditional security forces falling behind "people with money." In contrast to Russia, explained Satpayev, the Committee for National Security (KNB) is not a strong force onto itself, but rather a tool for the elite. "I am a realist," Satpayev said; "Kazakhstan is, and will remain, an authoritarian regime." Nazarbayev picking a successor is "the smoothest way forward," he stressed.

#### "NEW TOOLS" OF CONSERVATION

¶11. (SBU) Satpayev believes that, to a certain extent, Nazarbayev is now hostage to the system he has created. Numerous interest groups are dependent on him, and he in turn is dependent on them. This system of inter-dependence has become quite complex, and there have been times, in Satpayev's view, when Nazarbayev lost control. He pointed to the 2001 break-away of political insiders to form the Democratic Choice of Kazakhstan party (which later split into various opposition parties), and to the case of Rakhat Aliyev as evidence of cracks in the system. In Satpayev's estimation, "controlling structures" like Samruk-Kazyna were created specifically to prevent further cracks from appearing. "This is not evolution," underlined Satpayev, "this is conservation with new tools."

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